



County of Los Angeles
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June 11, 2012

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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum provides a State Budget update relating to: 1) the status of the Coordinated Care Initiative (Dual Eligibles Pilot Project) trailer bill; 2) trailer bill language related to the Southern Youth Correctional Reception Center and Clinic in Norwalk; and 3) an update on hearings related to Child Support Services.

Coordinated Care Initiative (Dual Eligibles Pilot Project) Trailer Bill

On May 31, 2012, the Administration released updated trailer bill language relating to the Coordinated Care Initiative (CCI), also known as Dual Eligibles, and the key In-Home Supportive Services (IHSS) provisions as described below.

The May Revision retains the Governor's January Budget proposal to initiate a series of initiatives to improve care coordination for persons receiving both Medi-Cal and Medicare. The May Revision also delays the implementation of the dual eligibles pilot to March 1, 2013, and reduces the expansion of phase one of the pilot from ten counties to eight counties for a revised State General Fund savings of \$663.3 million in FY 2012-13. Los Angeles, along with Orange, San Diego, and San Mateo, is one of the four counties selected to participate in the Dual Eligibles Pilot Project. The project would be expanded statewide on a phased-in basis over three years.

Similar to the trailer bill language released by the Administration in April 2012, the current trailer bill addresses the following key aspects of interest to the County:

- Counties shall continue to perform IHSS assessments and authorize hours;
- IHSS consumers shall continue to select and direct the work of their providers;

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- Preserves the current structure and role of county public authorities, but provides that the State may, at a future date, work with stakeholders to seek other alternatives such as a statewide public authority; and
- Counties shall continue to participate in the non-Federal share of IHSS provider wage and benefit costs through a newly-established County IHSS Maintenance of Effort (MOE). The level of the county's MOE shall be determined by the Department of Finance in consultation with the California State Association of Counties, and adjusted annually based on statewide caseload growth. In addition, the MOE will be readjusted to include the county share of any increase in IHSS expenditures that is the result of factors other than an increase in caseload or authorized hours in a given county.

Current Maintenance of Effort (MOE) Negotiations

Last week, the Administration proposed to permanently replace the existing counties share of cost for the IHSS Program with a Maintenance of Effort (MOE) for all counties statewide. The proposed MOE would include a base year of expenditures and an adjustment factor. The major concern is that counties would not have as much control over costs.

The California State Association of Counties (CSAC), County Welfare Directors Association (CWDA) and various counties have been working on language to address county concerns on the MOE. The language being proposed by CSAC and CWDA for inclusion in the trailer bill includes the following elements:

- The proposed MOE would be net county costs in FY 2011-12. The IHSS expenditures include county administration and public authority administration, defined as the amount actually expended by each county in FY 2011-12.
- All counties would begin paying the proposed MOE on July 1, 2013 and the MOE would permanently replace the county share of costs for the IHSS Program.
- The MOE would be adjusted downward for reductions to caseload or hours based on Federal or State statutory or regulatory changes, changes required by a court of law, or cost sharing changes.
- The MOE would not include a growth factor and would only be adjusted as a result of county negotiated changes in the provider wages and/or benefits.

- The MOE would not be adjusted for any State negotiated changes in the provider wages and/or benefits if the State assumes responsibility for collective bargaining.

This office and the Department of Public Social Services (DPSS) have been part of the discussions with CSAC on the above MOE proposal. **Therefore, pursuant to existing Board policy to minimize the adverse impact of State actions, the County will continue to work with CSAC, CWDA and other counties to support an MOE proposal that protects the County and mitigates any adverse impact.**

New Proposal on IHSS Collective Bargaining

In addition, this office and DPSS have learned that unions (SEIU and AFSCME) are in intense negotiations with the Administration regarding proposed trailer bill language to shift IHSS collective bargaining from the local to the state level and create a new State public authority, as part of the IHSS trailer bill language on Dual Eligibles. The Administration has not released language at this time.

The California State Association of Counties, CWDA and other counties are working to develop a strategy to address the unions' proposal, particularly language that would specifically exempt counties from any share of cost in wage or benefit increases negotiated in the future by the State public authority. **This office is working to analyze and assess the impact of this new proposal.**

Southern Youth Correctional Reception Center and Clinic Trailer Bill

On May 18, 2012, the Administration released a budget trailer bill related to the Southern Youth Correctional Reception Center and Clinic (SYCRCC) facility in Norwalk which would authorize the State to sell or lease the SYCRCC to the County. The SYCRCC was previously used by the California Department of Corrections and Rehabilitation, Division of Juvenile Justice (DJJ) to incarcerate male juveniles adjudicated to DJJ but ceased operation as a custody facility in January 2012.

Under the provisions of the proposed trailer bill, the State would be authorized to lease or sell the SYCRCC to the County by January 1, 2015. After that date, if the property is not sold to the County, the State may sell it through a competitive bid process. The trailer bill does not specify terms and conditions of a lease or sale and any agreement would have to be negotiated by the State and the County.

According to the Probation Department, the SYCRCC includes approximately 27 acres and several buildings that could be used as a training and professional standards facility for its staff and to potentially alleviate space issues at other locations utilized by the

Department. The Department would not use the facility for custody purposes and indicates that discussions with the State are ongoing regarding specific terms and conditions, including cost, of any agreement for the County to lease the facility.

The proposed trailer bill will be part of the ongoing budget negotiations between the Governor and the Legislature.

Budget Hearings on Child Support Services

As previously reported, the Governor's May Budget Revision proposes to reduce the administrative budget for local child support agencies (LCSAs) by \$14.7 million in FY 2012-13. Under this proposal, LCSAs would no longer be required to prepare cases for State hearings. The elimination of the State hearing work was intended to assist in offsetting the funding reduction. However, Assembly and Senate Budget Subcommittees have rejected the proposed trailer bill language leaving LCSAs with the State hearing work and the funding reduction. This reduction represents a one-time cut in LCSA funding. **The Child Support Services Department (CSSD) indicates that its share of the reduction is \$2.9 million.**

The following actions were taken by the Budget Subcommittees:

- On May 22, 2012, the Senate Budget and Fiscal Review Subcommittee No. 3 rejected the May Revision's proposed trailer bill language to no longer require LCSA's to prepare cases for State hearings and approved the \$14.7 million funding reduction by a vote of 3 to 0. The Assembly concurred with this action May 24, 2012, by a vote of 3 to 0.
- On May 31, 2012, the Assembly Budget Subcommittee No. 1, by a vote of 4 to 0, added budget bill language stating that to the extent practicable, the reduction to LCSAs should not result in a reduction to caseworkers' staffing level or to collections. The Senate Budget and Fiscal Review Committee concurred with the Assembly's action on June 7, 2012, by a vote of 14 to 0.

We will continue to keep you advised.

WTF:RA
MR:KA:OR:lm

c: All Department Heads
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